

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Mson County Rural Fire Authority	County Mason
Fiscal Year End December 31, 2007	Opinion Date May 19, 2008	Date Audit Report Submitted to State May 20, 2008	

We affirm that:

We are certified public accountants licensed to practice in Michigan.


We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Hendon & Slate, P.C.		Telephone Number 231-924-6890	
Street Address 711 West Main		City Fremont	State Zip MI 49412
Authorizing CPA Signature 	Printed Name Jodi DeKuiper, CPA		License Number 1101021180

**MASON COUNTY RURAL FIRE AUTHORITY
MASON COUNTY, MICHIGAN**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2007

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MASON COUNTY RURAL FIRE AUTHORITY

List of Principal Individuals

	<u>Position</u>
James Whitaker	Chairperson
Bruce Borema	Vice Chairperson
Bruce Krieger	Secretary
Bruce Patterson	Treasurer
Ron Krepps	Trustee
Robert Bacon	Business Manager

H&S Companies

Hendon & Slate, PC
Certified Public Accountants
Business Consultants

Mason County Rural Fire Authority
c/o Bob Bacon
P.O. Box 152
Custer, MI 49405

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of The Mason County Rural Fire Authority as of and for the years ended December 31, 2007 and 2006, which collectively comprise a portion of the Authority's basic financial statements required by accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Mason County Rural Fire Authority as of December 31, 2007 and 2006 and the results of its operations for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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4538 Dowling Street
Montague, MI 49437
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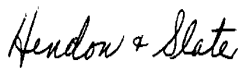
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Independent Auditors Report (Continued)

In accordance with *Government Auditing Standards*, we have also issued our report dated May 19, 2008 on our consideration of the Mason County Rural Fire Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information is presented are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The management discussion and analysis included in the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements of Mason County Rural Fire Authority. We did not examine this data and, accordingly, do not express an opinion thereon.



Hendon & Slate, PC
Certified Public Accountants
May 19, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS
MASON COUNTY RURAL FIRE AUTHORITY
December 31, 2007 and 2006

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Authority as a whole and present a longer-term view of the Authority's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Authority's operations in more detail than the government-wide financial statements.

The Authority as a Whole

The Authority's financial position has improved over the prior year. Combined net assets increased 19.45% from a year ago - increasing from \$827,887 to \$988,919. In a condensed format, the table below shows key financial information:

	Governmental Activities	
	<u>12/31/2007</u>	<u>12/31/2006</u>
Current Assets	\$ 713,230	\$ 119,051
Noncurrent Assets	<u>1,497,655</u>	<u>1,141,920</u>
Total Assets	2,210,885	1,260,971
Current Liabilities	541,511	38,084
Long-Term Debt Outstanding	<u>680,455</u>	<u>395,000</u>
Total Liabilities	<u>1,221,966</u>	<u>433,084</u>
Net Assets		
Invested in Capital Assets - Net of Related Debt	785,200	715,920
Unrestricted	<u>203,719</u>	<u>111,967</u>
Total Net Assets	<u><u>\$ 988,919</u></u>	<u><u>\$ 827,887</u></u>

Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations increased by approximately 81.95% - increasing from \$111,967 to \$203,719 for the governmental activities.

Management's Discussion & Analysis (Continued)

	Governmental Activities	
	<u>2007</u>	<u>2006</u>
Revenues		
Taxes	\$ 542,454	\$ 492,332
Wage Reimbursement	96,703	94,991
Interest	15,828	7,665
Grants & Other	<u>9,787</u>	<u>44,928</u>
Total Revenues	664,772	639,916
Expenses		
Public Safety	381,617	334,874
Debt Service	19,703	27,653
Capital Outlay	-	16,527
Depreciation	<u>102,420</u>	<u>101,343</u>
Total Expenses	<u>503,740</u>	<u>480,397</u>
Change in Net Assets	<u><u>\$ 161,032</u></u>	<u><u>\$ 159,519</u></u>

Governmental Activities

The total governmental revenues increased by \$24,856 primarily due to an increase in property taxes of \$50,122 and \$8,163 increase in interest due to higher interest rates. These increases were partially offset by a \$35,141 decrease in grants and other income.

The total governmental expenditures remained relatively constant, except for a \$171,868 drop in debt service due to paying off debt in 2006 and a \$405,313 increase in capital outlay related to providing a deposit on 6 new trucks.

Business-Type Activities

The Authority has no business-type activities.

The Authority's Fund

The Authority has only one fund, which is the General Fund and the Major Fund, as presented on pages 6 - 9.

The General Fund pays for all of the Authority's governmental services. In 2007, the most significant expenditures paid by the Authority were wages (including payroll taxes), capital outlay and vehicle R & M, accounting for approximately 72% of total expenditures. The most significant expenditures paid by the Authority in 2006 were wages (including payroll taxes), debt service and vehicle R & M, accounting for approximately 45% of total expenditures.

Management's Discussion & Analysis (Continued)

General Fund Budgetary Highlights

Over the course of the year, the Authority amended the budget to take into account events during the year. The most significant change to revenues was a decrease of \$(8,300) in wage reimbursement, and the most significant change to expenditures was to capital outlay of \$458,155 due to deposits made for the purchase of fire trucks, amending the budget for actual receipts and disbursements as of December 31, 2007.

Capital Asset and Debt Administration

At the end of 2007, the Authority had approximately \$1.96 million invested in capital assets and approximately \$1.96 million for 2006, consisting of mostly vehicles. These vehicles are being depreciated over a 15 year estimated useful life.

During 2007 the Authority ordered six new fire trucks from Spencer Manufacturing at a cost of \$965,700. Delivery is expected in the first and second quarter of 2008. A \$740,000 ten year USDA loan along with a \$75,000 USDA grant will pay for the majority of the purchase price. The remaining \$150,700 was paid out of the Authority fund balance. A \$500,000 bridge loan secured to cover the period between truck ordering and USDA loan signing. This loan will be paid from the USDA loan proceeds.

Economic Factors and Next Year's Budgets and Rates

The Authority budget calls for a 10.1% increase in property taxes.

Total 2008 budgeted expenditures are down 5.1% from 2007 budgeted expenditures. This excludes the purchase of the six new trucks. With the USDA loan and conservative 2008 spending, the Authority has the resources to allow for any unforeseen situations to occur resulting in significant expenditures.

Contacting the Authority's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the business manager.

MASON COUNTY RURAL FIRE AUTHORITY

Governmental Funds Balance Sheet/Statement of Net Assets December 31, 2007

	General <u>Fund</u>	<u>Adjustments</u> ^a	Statement of <u>Net Assets</u>
ASSETS			
Current Assets			
Cash and Equivalents	\$ 608,819	\$ -	\$ 608,819
Wage Reimbursements Receivable	41,117	-	41,117
Prepaid Insurance	63,294	-	63,294
Total Current Assets	713,230	-	713,230
Long Term Assets			
Deposits	-	458,155	458,155
Capital Assets, Net of Accumulated Depreciation	-	1,039,500	1,039,500
Total Long Term Assets	-	1,497,655	1,497,655
Total Assets	<u>\$ 713,230</u>	1,497,655	2,210,885
 LIABILITIES AND FUND EQUITY			
Liabilities			
Current Liabilities			
Accounts Payable	\$ 9,511	\$ -	\$ 9,511
Short Term Note Payable--WSB	500,000	-	500,000
Current Portion of Long-Term Debt	-	32,000	32,000
Total Current Liabilities	509,511	32,000	541,511
Notes Payable	-	680,455	680,455
Total Liabilities	509,511	712,455	1,221,966
Fund Balances/Net Assets			
Fund Balance			
Unreserved	203,719	(203,719)	-
Total Liabilities and Fund Balances	<u>\$ 713,230</u>		
Net Assets:			
Invested in Capital Assets Net of Related Debt		785,200	785,200
Unrestricted		203,719	203,719
Total Net Assets		<u>\$ 988,919</u>	<u>\$ 988,919</u>

The Notes to the Financial Statements are an integral part of this statement.

MASON COUNTY RURAL FIRE AUTHORITY

Governmental Funds Balance Sheet/Statement of Net Assets December 31, 2006

	General <u>Fund</u>	<u>Adjustments</u> ^a	Statement of <u>Net Assets</u>
ASSETS			
Current Assets			
Cash and Equivalents	\$ 31,078	\$ -	\$ 31,078
Wage Reimbursements Receivable	35,973	-	35,973
Prepaid Insurance	<u>52,000</u>	<u>-</u>	<u>52,000</u>
Total Current Assets	119,051	-	119,051
Capital Assets, Net of Accumulated Depreciation	<u>-</u>	<u>1,141,920</u>	<u>1,141,920</u>
Total Assets	<u><u>\$ 119,051</u></u>	1,141,920	1,260,971
 LIABILITIES AND FUND EQUITY			
Liabilities			
Current Liabilities			
Accounts Payable	\$ 7,084	\$ -	\$ 7,084
Current Portion of Long-Term Debt	<u>-</u>	<u>31,000</u>	<u>31,000</u>
Total Current Liabilities	7,084	31,000	38,084
Note Payable	<u>-</u>	<u>395,000</u>	<u>395,000</u>
Total Liabilities	7,084	<u>426,000</u>	<u>433,084</u>
Fund Balances/Net Assets			
Fund Balance - Unreserved	<u>111,967</u>	<u>(111,967)</u>	<u>-</u>
Total Liabilities and Fund Balances	<u><u>\$ 119,051</u></u>		
Net Assets:			
Invested in Capital Assets Net of Related Debt		715,920	715,920
Unrestricted		<u>111,967</u>	<u>111,967</u>
Total Net Assets		<u><u>\$ 827,887</u></u>	<u><u>\$ 827,887</u></u>

The Notes to the Financial Statements are an integral part of this statement.

MASON COUNTY RURAL FIRE AUTHORITY

Statement of Governmental Revenue, Expenditures and Changes in Fund Balance/Statement of Activities For the Year Ended December 31, 2007

	General <u>Fund</u>	<u>Adjustments</u> ^a	Statement of <u>Activities</u>
Revenues			
Taxes	\$ 542,454	\$ -	\$ 542,454
Wage Reimbursement	96,703	-	96,703
Interest	15,828	-	15,828
Grants & Other	9,787	-	9,787
Total Revenues	664,772	-	664,772
Expenditures			
Public Safety	381,617	-	381,617
Debt Service	50,703	(31,000)	19,703
Capital Outlay	458,155	(458,155)	-
Depreciation	-	102,420	102,420
Total Expenditures	890,475	(386,735)	503,740
Excess Revenues Over (Under) Expenditures	(225,703)	386,735	161,032
Other Financial Sources			
Proceeds from Debt	317,455	(317,455)	-
Total Other Financing Sources	317,455	(317,455)	-
Excess Revenues and Other Sources Over (Under) Expenditures & Other Uses	91,752	69,280	161,032
Fund Balance/Net Assets - Beginning of Year	111,967	715,920	827,887
Fund Balance/Net Assets - End of Year	<u>\$ 203,719</u>	<u>\$ 785,200</u>	<u>\$ 988,919</u>

The Notes to the Financial Statements are an integral part of this statement.

MASON COUNTY RURAL FIRE AUTHORITY

Statement of Governmental Revenue, Expenditures and Changes in Fund Balance/Statement of Activities For the Year Ended December 31, 2006

	General <u>Fund</u>	<u>Adjustments</u> ^a	Statement of <u>Activities</u>
Revenues			
Taxes	\$ 492,332	\$ -	\$ 492,332
Wage Reimbursement	94,991	-	94,991
Interest	7,665	-	7,665
Grants & Other	44,928	-	44,928
Total Revenues	<u>639,916</u>	<u>-</u>	<u>639,916</u>
Expenditures			
Public Safety	334,874	-	334,874
Debt Service	222,571	(194,918)	27,653
Capital Outlay	52,842	(36,315)	16,527
Depreciation	-	101,343	101,343
Total Expenditures	<u>610,287</u>	<u>(129,890)</u>	<u>480,397</u>
Excess Revenues Over (Under) Expenditures	29,629	129,890	159,519
Fund Balance/Net Assets - Beginning of Year	<u>82,338</u>	<u>586,030</u>	<u>668,368</u>
Fund Balance/Net Assets - End of Year	<u>\$ 111,967</u>	<u>\$ 715,920</u>	<u>\$ 827,887</u>

^aNotes to the Financial Statements provide the details for main components of the adjustments.

The Notes to the Financial Statements are an integral part of this statement.

MASON COUNTY RURAL FIRE AUTHORITY

Notes to the Financial Statements

December 31, 2007 & 2006

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Mason County Rural Fire Authority conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Mason County Rural Fire Authority.

A. Reporting Entity

The Mason County Rural Fire Authority is governed by an elected seven-member council (Board). The accompanying financial statements present the government.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Notes to the Financial Statements (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available to finance expenditures of the fiscal period. Revenues that are both measurable and available are recorded when earned. All other revenue items are considered to be available only when cash is received by the Authority.

The Authority reports the following major governmental funds:

The General Fund is the Authority's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements, however, there is only one fund reported.

D. Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables & Payables - All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

Accounts payable for the years ended December 31, 2007 and 2006 were \$9,502 and \$7,084, respectively, and consisted of invoices from vendors.

Inventories & Prepaid Items - Inventories are valued at cost, on a first-in, first-out basis. Inventories are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Notes to the Financial Statements (Continued)

Capital Assets - Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Donated assets totaling \$0 and \$36,315 were received as of years ended December 31, 2007 and 2006 respectively.

Property, plant, and equipment is depreciated using the straight-line method over the following useful lives:

Buildings & Improvements	15 - 50 years
Vehicles & Trailers	10 - 15 years
Furniture & Equipment	5 - 20 years

Estimates - Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities, and the reported revenues and expenditures/expenses. Actual results could differ from those estimates.

NOTE B RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets and omissions; and natural disasters for which the Authority carries commercial insurance. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Authority. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. Liabilities in excess of insurance coverage, if any, are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

NOTE C STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The General Fund is under formal budgetary control. The budget shown in the financial statements for this fund was prepared on a basis not significantly different from the modified accrual basis used to reflect actual results and consists only of those amounts contained in the formal budget approved and amended by the Board.

P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. During the years ended December 31, 2007 and 2006, the Authority did incur over expenditures in the following accounts:

2006

General Fund	Budget	Actual	Variance
Capital Outlay	\$ 40,000	\$ 52,842	\$ (12,842)

NOTE D RECONCILIATION OF FUND FINANCIAL STATEMENTS TO GOVERNMENT-WIDE FINANCIAL STATEMENTS

Notes to the Financial Statements (Continued)

Total fund balance and net change in fund balance of the Authority's governmental fund differs from net assets and statement of the governmental activities reported in the statement of net assets and statement of activities. This difference primarily results from the long-term economic focus of the statement of net assets and statement of activities versus the current financial resources focus of the governmental fund balance sheet and statement of revenue, expenditures, and change in fund balance. The following are reconciliation of fund balance to net assets and the net change in fund balance to the net change in net assets.

	<u>12/31/07</u>	<u>12/31/06</u>
Total Fund Balance - Modified Accrual Basis	\$ 203,719	\$ 111,967
Amounts reported in the statement of net assets are difference because:		
Capital Assets are not financial resources, and are not reported in the funds	1,039,500	1,141,920
Long-term liabilities are not due and payable in the current period and are not reported in the funds	(254,300)	(426,000)
Net Assets of General Fund - Full Accrual Basis	<u>\$ 988,919</u>	<u>\$ 827,887</u>
	<u>12/31/07</u>	<u>12/31/06</u>
Net Change in Fund Balances - Modified Accrual Basis	\$ 91,752	\$ 29,629
Amounts reported in the statement of activities are different because:		
Other financial sources recorded as revenue in the fund statements, but not in the statement of activities	(317,455)	-
Capital outlays are reported as expenditures in the statement of revenue, expenditures, and changes in fund balance; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:		
Capital Outlay	458,155	36,315
Depreciation	(102,420)	(101,343)
Repayment of bond principal are reported as an expenditure in the fund statements, but not in the statement of activities (where it reduces long-term debt)	31,000	194,918
Change in Net Assets of General Fund - Full Accrual Basis	<u>\$ 161,032</u>	<u>\$ 159,519</u>

Notes to the Financial Statements (Continued)

NOTE E DEPOSITS AND INVESTMENTS

Legal Provisions for Deposits and Investments - The Investment of Surplus Funds of Political Subdivisions Act No. 20, Public Acts of 1943, as amended through December 31, 1997, state the Township, by resolution may authorize the Treasurer to invest surplus finds in one or more of the following:

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution complies with subsection (2).
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- d. Repurchase agreements consisting of instruments listed in subdivision (a).
- e. Bankers' acceptances of the United States banks.
- f. Obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- g. Mutual funds registered under the investment company act of 1940, title I of chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 801-3 and 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
However, a mutual fund is not disqualified as a permissible investment solely by reason of any of the following:
 1. The purchase of securities on a when-issued or delayed delivery
 2. The ability to lend portfolio securities as long as the mutual fund receives collateral all times equal to at least 100% of the securities loaned.
 3. The limited ability to borrow and pledge a like portion of the portfolio's assets for temporary or emergency purposes.
- h. Obligations described in subdivisions (a) through (g) if purchased through an interlocal agreement under the Urban Cooperations Act of 1967, 1967 (Es Sess) PA7 MCL 124.501 to 124.512.
- i. Investment pools organized under the surplus Funds investment Pool Act, 1982 PA 367, 129.111 to 129.118
- j. The investment pools organized under the Local government Investment Pool Act, 1985 PA 121, MCL 129.141 to 129.150.

Investments are normally categorized to give an indication of the level of risk assumed by the Authority; however, money market funds are not categorized because they are not evidenced by securities that exist in physical or book entry form. Management believes the investments in the funds comply with the investment authority noted above. Deposits are carried at cost. Cash deposits of the Authority are in one financial institution: West Shore Bank. These accounts are in the Authority's own name.

The Authority's deposits are in accordance with statutory authority as follows:

Notes to the Financial Statements (Continued)

	Carrying Amount	Market Value
NOW	\$ 18,282	\$ 102,257
Payroll Checking	39	1,629
Money Market - General	590,498	590,498
Total Deposits	<u>\$ 608,819</u>	<u>\$ 694,384</u>
FDIC Insured	\$ 18,321	\$ 100,000
Uninsured	-	3,886
Money Market Funds	590,498	590,498

Investments are normally categorized to give an indication of the level of risk assumed by the Authority; however, money market funds are not categorized because they are not evidenced by securities that exist in physical or book entry form. Management believes the investments in the funds comply with the investment authority noted above.

NOTE F LEASES

Each entity holds a lease with the Fire Authority for the use of the fire barns and similar properties. The Authority pays no monies for these leases, but does provide insurance, maintenance and repairs, and utilities for each building. The term of the lease agreements shall continue so long as the Authority shall use the premises for the purpose of providing fire protection services.

During 2005, the Authority entered into a lease with Xerox for the use of a copier. The lease calls for 60 minimum monthly payments of \$21.66, after which there is an option to purchase the copier at fair market value.

NOTE G CHANGES IN LONG-TERM DEBT

	Outstanding Principal 12/31/2007	Due Within One Year
<u>Fire Truck Loan #2</u>		
During 2002, the Authority entered into an agreement with the United States Department of Agriculture (USDA) for a note in the amount of \$535,000 for the purchase of fire trucks and equipment. The note is due in annual principal payments of \$25,000 to \$48,000 through 2017 and interest payable semiannually at 4.625%.	395,000	32,000
<u>Fire Truck Loan #3</u>		
During 2007, the Authority entered into an agreement with the United States Department of Agriculture (USDA) for a note in the amount of \$740,000 for the purchase of fire trucks and equipment. The note is due in annual principal payments that start at \$61,000 and gradually increase through 2017 and has an interest payable at 4.25%.	317,455	-
Total Notes Payable	<u>\$ 712,455</u>	<u>\$ 32,000</u>

Notes to the Financial Statement (Continued)

The annual requirements to amortize long-term debt outstanding as of December 31, 2007, including interest are as follows:

Year Ended	<u>USDA LOAN #2</u>		<u>USDA LOAN #3</u>	
<u>December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2008	32,000	18,269	61,000	28,838
2009	33,000	16,789	63,000	28,027
2010	35,000	15,262	66,000	26,180
2011	38,000	13,644	69,000	23,375
2012	41,000	11,933	58,455	20,443
2013 - 2017	216,000	31,450	-	-
Total	<u>\$ 395,000</u>	<u>\$ 107,347</u>	<u>\$ 317,455</u>	<u>\$ 126,863</u>

Changes in long-term debt for the year ended December 31, 2007:

	<u>Fire Truck Loan #2</u>	<u>Fire Truck Loan #3</u>	<u>Total</u>
Debt Outstanding - 1/1/07	\$ 426,000	\$ -	\$ 426,000
Debt Added During the Year	-	317,455	317,455
Debt Retired During the Year	(31,000)	-	(31,000)
Debt Outstanding - 12/31/07	<u>\$ 395,000</u>	<u>\$ 317,455</u>	<u>\$ 712,455</u>

Interest expense for the years ended December 31, 2007 and 2006 is \$19,703 and \$27,653 respectively.

NOTE H CAPITAL ASSETS

A summary of changes in general fixed assets for governmental activities is as

	<u>Balance 1/1/2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 12/31/2007</u>
Capital Assets:				
Equipment	\$ 64,849	\$ -	\$ -	\$ 64,849
Vehicles	1,891,521	-	-	1,891,521
Site Improvements	5,670	-	-	5,670
Total	1,962,040	-	-	1,962,040
Accumulated Depreciation	(820,120)	(102,420)	-	(922,540)
Net Book Value	<u>\$ 1,141,920</u>	<u>\$ (102,420)</u>	<u>\$ -</u>	<u>\$ 1,039,500</u>
Depreciation Expense				
Public Safety		<u>\$ 102,420</u>		

MASON COUNTY RURAL FIRE AUTHORITY

Required Supplementary Information Budgetary Comparison Schedule - General Fund For the Year Ended December 31, 2007

	Original Budget	Final Budget	Actual	Favorable (Unfavorable)
Revenues				
Property Taxes	\$ 542,400	\$ 542,400	\$ 542,454	\$ 54
Wage Reimbursements	105,000	96,700	96,703	3
Interest	15,000	15,800	15,828	28
Other	9,787	9,787	9,787	-
Total Revenues	672,187	664,687	664,772	85
Expenditures - Public Safety				
Wages & Payroll Taxes	150,000	105,500	105,180	320
Payroll Reimbursements	30,587	30,587	30,587	-
Office Supplies	5,500	4,600	4,517	83
Operating Supplies	42,000	39,000	38,729	271
Service Charges	150	150	113	37
Mileage	300	310	304	6
Insurance	52,278	52,278	52,278	-
Repair & Maintenance - Buildings	8,000	7,700	7,695	5
Repair & Maintenance - Equipment	90,000	78,000	77,468	532
Professional Fees	13,795	13,795	13,795	-
Education and Training	12,000	11,000	10,975	25
Telephone	6,800	7,100	7,091	9
Utilities	25,000	26,500	26,394	106
Printing & Publishing	1,000	1,000	919	81
Miscellaneous	7,500	6,000	5,572	428
Capital Outlay	-	458,155	458,155	-
Debt Service	50,703	50,703	50,703	-
Total Expenditures	495,613	892,378	890,475	1,903
Excess Revenues (Expenditures)	176,574	(227,691)	(225,703)	1,988
Other Financing Sources (Uses)				
Proceeds from Debt	-	817,455	317,455	500,000
Total Other Financing Sources (Uses)	-	817,455	317,455	500,000
Excess Revenues & Other Sources Over (Under) Expenditures & Other Uses	176,574	589,764	91,752	1,988
Fund Balance - Beginning of Year	82,338	82,338	111,967	29,629
Fund Balance - End of Year	\$ 258,912	\$ 672,102	\$ 203,719	\$ 31,617

MASON COUNTY RURAL FIRE AUTHORITY

Required Supplementary Information Budgetary Comparison Schedule - General Fund For the Year Ended December 31, 2006

	Original Budget	Final Budget	Actual	Favorable (Unfavorable)
Revenues				
Property Taxes	\$ 505,320	\$ 492,300	\$ 492,332	\$ 32
Wage Reimbursements	134,400	134,400	94,991	(39,409)
Interest	3,500	7,500	7,665	165
Grants & Other	2,000	8,600	44,928	36,328
Total Revenues	645,220	642,800	639,916	(2,884)
Expenditures - Public Safety				
Wages & Payroll Taxes	160,400	175,000	119,165	55,835
Payroll Reimbursements	30,000	27,519	27,519	-
Office Supplies	2,550	5,000	3,950	1,050
Operating Supplies	38,250	38,250	29,173	9,077
Service Charges	600	225	214	11
Mileage	300	300	268	32
Insurance	60,000	51,508	51,508	-
Repair & Maintenance - Buildings	16,050	20,000	14,784	5,216
Repair & Maintenance - Equipment	65,100	60,000	46,393	13,607
Professional Fees	6,000	4,000	3,925	75
Education and Training	14,450	6,000	4,117	1,883
Telephone	5,925	5,500	5,342	158
Utilities	35,450	30,000	23,967	6,033
Printing & Publishing	2,710	1,800	1,774	26
Miscellaneous	8,285	5,000	2,775	2,225
Capital Outlay	51,000	40,000	52,842	(12,842)
Debt Service	225,000	222,571	222,571	-
Total Expenditures	722,070	692,673	610,287	82,386
Excess Revenues (Expenditures)	(76,850)	(49,873)	29,629	79,502
Fund Balance - Beginning of Year	82,338	82,338	82,338	-
Fund Balance - End of Year	\$ 5,488	\$ 32,465	\$ 111,967	\$ 79,502

H&S Companies

Hendon & Slate, PC
Certified Public Accountants
Business Consultants

Report on Compliance and on Internal Control Over Financial
Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards

Board Members
Mason County Rural Fire Authority
Custer, MI 49405

We have audited the financial statements of Mason County Rural Fire Authority as of and for the year ended December 31, 2007, and have issued our report thereon dated May 19, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

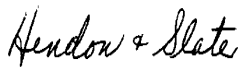
Compliance and Other Matters

As a part of obtaining reasonable assurance about whether Mason County Rural Fire Authority' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Mason County Rural Fire Authority' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the Board, management and federal awarding agencies and pass-through entities.



Hendon & Slate, P.C.
Certified Public Accountants
May 19, 2008

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H&S Companies

Hendon & Slate, PC
Certified Public Accountants
Business Consultants

April 30, 2008

Board of Directors
Mason County Rural Fire Authority
P.O. Box 152
Custer, MI 49405

Dear Board Members:

We would like to thank you for the opportunity to conduct the audit for the Mason County Rural Fire Authority. It was a pleasure working with the business manager throughout the engagement.

In connection with our audit of the financial statements of the Mason County Rural Fire Authority as of and for the year ending December 31, 2007, we reviewed your accounting procedures and internal control over financial reporting. We offer the following comments in connection with such.

Books and Records

We commend the Board and Business Manager for the excellent condition in which the accounting records were presented this year.

Financial Condition

We noted that the financial condition of the Authority improved this year. Last year revenues were \$639,916, this year revenues increased to \$664,772. Although expenses went up as well by \$23,343 the change in Net Assets increased by \$1,513 from 2006 to 2007.

This report is intended solely for the information and use of the Mason County Rural Fire Authority's management and the board members. This restriction is not intended to limit distribution of this report, which is a matter of public record.

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We appreciate the courtesy extended to us during our audit. We are available year round to assist in the implementation of any of the recommendations set forth in this letter or to answer any questions regarding the audit.

Respectfully submitted,

A handwritten signature in black ink that reads "Jodi DeKuiper, CPA". The signature is written in a cursive, flowing style.

Jodi DeKuiper, CPA
Hendon & Slate, P.C.